

BUD WEISER MOTORS
Service Department Analysis

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N403-06

Marketing

Currently, the only marketing that our dealership does for our Service Department is the required CSSR mailers by GM. CSSR is contracted by GM to send out offers to our current customers and coupons to customers that we haven't seen in our Service Department in a while. One marketing tactic we want to implement is improving our SEO in Google. Currently when searching on the internet for an oil change or repair shop, we are not showing up organically near the top within Google. Consumers don't want to scroll to find what they are looking for so to obtain new customers, we must beat places like Walmart, Jiffy Lube, and other dealerships in Google search. To do this we must invest in ads on Google so that we are popping up at the top and driving more traffic to our website.

Another tactic we can implement is running ads on social media of our service specials. Facebook and Instagram ads will help us get more visibility of our service offers and drive more traffic to our website. The cost for impressions on social media sites is reasonable.

Lastly, in store my Service Manager and I have created "Bud's Bundles" for the upcoming winter specials. *See image below.* Our goal is that this will encourage both our current and new customers to get prepared for the winter when they are in for an oil change or other service, and help our advisors upsell maintenance.

BUD WEISER
BUNDLE & SAVE WITH
BUD'S BUNDLES
ONLY AT BUD WEISER MOTORS

| GOOD | BETTER | BEST |
|--|--|--|
| OIL & FILTER TIRE ROTATION VISUAL VEHICLE INSPECTION WITH REPORT | OIL & FILTER TIRE ROTATION VISUAL VEHICLE INSPECTION WITH REPORT | OIL & FILTER TIRE ROTATION VISUAL VEHICLE INSPECTION WITH REPORT |
| PLUS YOUR CHOICE OF ONE OF THE FOLLOWING: | PLUS YOUR CHOICE OF TWO OF THE FOLLOWING: | PLUS ALL OF THE FOLLOWING: |
| ENGINE AIR FILTER REPLACEMENT CABIN AIR FILTER REPLACEMENT FRONT WIPER BLADE REPLACEMENT | ENGINE AIR FILTER REPLACEMENT CABIN AIR FILTER REPLACEMENT FRONT WIPER BLADE REPLACEMENT | ENGINE AIR FILTER REPLACEMENT CABIN AIR FILTER REPLACEMENT FRONT WIPER BLADE REPLACEMENT |
| \$109.95 \$129.95 VALUE | \$149.95 \$189.95 VALUE | \$189.95 \$239.95 VALUE |
| CERTIFIED SERVICE | BUDWEISERMOTORS.COM | 608-466-1772 |
| Disclaimer: Fits most GM makes and models, diesels are excluded from this promotion | | |

Analyze Cost of Labor

| Service Department Sales And Gross (Labor Only) | | | | |
|---|-------------------|-------------------|---------------------|---------------------|
| Category | Sales | Gross | Gross as % of Sales | %Sales Contribution |
| Customer Car | \$ 102,487 | \$ 85,419 | 83.35% | 62.69% |
| Customer Truck | | | 0% | 0% |
| Customer Other | \$ 4,148 | \$ 3,302 | 79.60% | 2.54% |
| Warranty | \$ 27,965 | \$ 23,150 | 82.78% | 17.10% |
| Warranty Other | | | 0% | 0% |
| Internal | \$ 26,675 | \$ 22,334 | 83.73% | 16.32% |
| NVI / Road Ready | \$ 2,219 | \$ 1,968 | 88.69% | 1.36% |
| Adj. Cost Of Labor | | \$ (3,863) | 0% | 0.00% |
| Total | \$ 163,494 | \$ 132,310 | 80.93% | 100.00% |

The data provided above is from the month of October. Our Total Service Department Gross Profit percentage exceeds NADA guide, which is great, but there is still room for improvement. Our average Technician pay is at \$20.36, so the cost of our labor isn't our issue but rather the lack of upselling by our Service Advisors. Our appointments were down for the month of October, and with the lack of upselling by our Service Advisors, we didn't sell the additional hours available to offset the low number of appointments.

Ways we can improve is to give our Advisors the tools to upsell. How we can achieve this is through additional training by our Service Manager. My Service Manager is implementing weekly one-on-ones with each of our advisors to go over practicing objections by customers and show them how their pay plan benefits them if they upsell each ticket.

Changes in Expense Structure

| Service Department Profit Centering | | | |
|-------------------------------------|---------------|------------|---------|
| Expense Category | Dollar Amount | % of Gross | Profile |
| Department Gross | \$ 132,310 | | |
| Variable Expense | | 0.00% | |
| Selling Expense | | 0.00% | |
| Personnel Expense | \$ 62,940 | 47.57% | |
| Semi-Fixed Expense | \$ 33,739 | 25.50% | |
| Fixed Expense | \$ 13,703 | 10.36% | |
| Unallocated Expense | | 0.00% | |
| Dealer's Salary | | 0.00% | |
| Total Expenses | \$ 110,382 | 83.43% | |
| Net Profit | \$ 21,928 | 16.57% | |

The above data is from the month of October. Both our personal and fixed expenses are within NADA guide, but our semi-fixed expenses are slightly above guide by almost 7%. When I took a deeper look into our semi-fixed expenses, we found that our policy expense is at 20%. This is 18% over guide. My Service Manager and business accountant are working together to ensure that the correct expenses are being posted to this account. One way we can work toward reducing our semi-fixed expenses and maintaining our current expenses is by having a monthly expense meeting. This will help ensure that we are posting expenses to the right account and control any overspending.

Productivity

| NADA ACTUAL SERVICE ANALYSIS | | | | | |
|---|----------------------------------|---|--------------------------|---|--|
| Performance | | | | | |
| | <i>Labor Sales / Month</i> | ÷ | <i>Hourly Labor Rate</i> | = | <i>Hours Billed</i> |
| Customer Car* | \$ 102,487 | | 119.84 | | 855.2 |
| Customer Truck* | | + | | = | 0.00 |
| Customer Other* | \$ 4,148 | | 119.84 | | 34.6 |
| Warranty | \$ 27,965 | | 126.04 | | 221.9 |
| Internal | \$ 26,675 | | 150.00 | | 177.8 |
| New Vehicle Prep | \$ 2,219 | | 126.00 | | 17.6 |
| Total | \$ 163,494 | | | | 1307.1 |
| POTENTIAL | | | | | |
| | \$ 163,494 | ÷ | 1307.13 | = | \$ 125.08 |
| | Total labor sales for month | | Total hours billed | | Effective Labor Rate |
| | 11.00 | x | 8 | x | 21 = 1,848.0 |
| | # Service mechanical technicians | | # Hours/Day | | Working Days/Month Clock Hour Avail |
| | 1,848.0 | x | \$ 125.08 | = | \$ 231,145 |
| | Clock Hours Available | | Effective Labor Rate | | Labor sales potential |
| How proficient are your technicians ? | | | | | |
| | 1,307.1 | ÷ | 1,848.00 | = | 70.73% |
| | Hours Billed | | Hours Available | | Tech Proficiency |
| Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis | | | | | |

The data above is from the month of October. Currently our technician proficiency is at 70.73%, which confirms that our advisors aren't selling enough hours to compensate for the number of hours we have available.

We can work to improve this by providing better menus that advisors can use with each customer. We have TVs above our Service Advisor's desk that showcase our menus, but it also shows other Chevrolet or Cadillac content, and the menu isn't always showing. Implementing a laminate menu that our advisors can go through with each customer will help them upsell and reduce the number of one-line repair orders. More

importantly, we need to actively provide training to our Service Advisors. We don't treat our advisors like they are salespeople. My Service Manager and I are going to create a monthly training plan to help keep both my Manager and Advisors accountable. Topics will include customer objections, continual knowledge, phone training and more. Our advisors are vital to the success of our Service Department, so it's imperative that we invest more time into them.

Facility

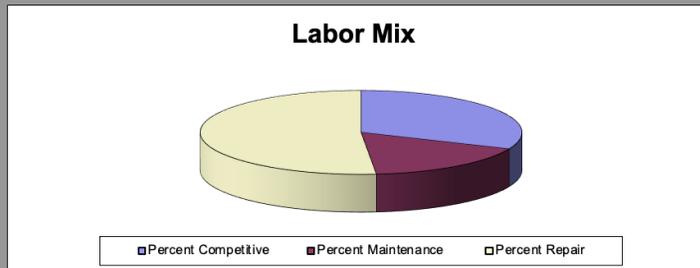
| FACILITY POTENTIAL | |
|---------------------------|-------------------|
| Number of Bays | 21 |
| | x |
| Number of Days | 23 |
| | x |
| Number of Hours | 10.5 |
| | x |
| Effective Labor Rate | \$ 125.08 |
| FACILITY POTENTIAL | \$ 634,336 |

| FACILITY UTILIZATION | |
|-----------------------------|---------------|
| Total Labor Sales | \$ 163,494 |
| | ÷ |
| Facility Potential | \$ 634,336 |
| | <i>equals</i> |
| FACILITY UTILIZATION | 25.77% |

It is essential that we increase our labor sales to increase our facility utilization. We have the talent to complete the work but just need to get the work in front of our technicians. A reoccurring theme throughout this service homework analysis is that we need to implement more training. The more training we give our Service Advisors, the more labor sales they will sell. We also have 21 bays and only 11 technicians. If we can continue to sell more work to our customers, we can hire more technicians and make more money for our Service Department.

100 Repair Order Analysis

| Repair Order Analysis Summary Report | | | | | | | |
|--------------------------------------|------------------|--------|-------------------|-------------|----------|----------|-----------------------|
| | Sales in Dollars | | FRH's on RO's | | Averages | Analysis | |
| Competitive | \$ | 4,911 | + | 56.90 | = | 86.31 | FRH Average |
| Maintenance | \$ | 3,775 | + | 30.80 | = | 122.55 | FRH Average |
| Repair | \$ | 12,994 | + | 93.20 | = | 139.42 | FRH Average |
| Totals | \$ | 21,680 | + | 180.90 | = | 119.84 | Customer ELR |
| | | | Target Labor Rate | | 128.04 | | Per FRH |
| Total Ro's in Sample | 100 | | Difference | | -8.20 | | Per FRH |
| Cost of Labor | | | | | | | |
| Total Cost of Labor | 4111.20 | | + | Total Sales | = | 18.96% | Percent Cost of Sales |
| Total Cost of Labor | 4111.20 | | + | Total FRHs | = | 22.73 | Cost per FRH |
| Repair Order Measurements | | | | | | | |
| Total Labor Sales | 21,679.52 | | + | Total ROs | = | 216.80 | Avg Labor per RO |
| Total FRHs | 180.90 | | + | Total ROs | = | 1.81 | Avg FRH's per RO |
| Menu Sales | | | + | Total ROs | = | | Percent Menu Sales |
| Competitive FRHs | 56.90 | | + | Total FRHs | = | 31.45% | Percent Competitive |
| Maintenance FRHs | 30.80 | | + | Total FRHs | = | 17.03% | Percent Maintenance |
| Repair FRH | 93.20 | | + | Total FRHs | = | 51.52% | Percent Repair |
| One item ROs | 54 | | + | Total ROs | = | 54.00% | Percent One Item RO |
| Model Year Analysis | | | | | | | |
| 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | Older | Total |
| 0 | 2 | 8 | 9 | 12 | 12 | 57 | 100 |
| 0.00% | 2.00% | 8.00% | 9.00% | 12.00% | 12.00% | 57.00% | |



The first thing I noticed from the 100 RO Analysis is that our customer ELR should be closer to \$150, so either our advisors are giving out discounts or they are potentially creating incorrect estimates on maintenance. I noticed on some of the repair orders that the customer pay labor rate was quoted at \$120, instead of \$150.

Furthermore, the cost per FRH is slightly above our average technician pay which means that some our techs aren't getting the correct work. Our Service Manager is going to get involved on delegating work amongst the technicians. Right now, our advisors are handing out work to any tech. We are considering trying to set up each of our advisors with teams to help with delegating work more appropriately.

Another finding after reviewing the 100 ROs is that our customers are keeping their vehicles for longer periods of time. Based on the 100 Repair Orders, 57% of the vehicles assessed were older than 2017. Most of the repair orders didn't include additional quotes for work needed—even on some vehicles with over 200,000 miles.

Most of them also didn't have a line item for a multi-point inspection, which would help the customer visually see what's needed for additional maintenance. My Service Manager is going to work on implementing more training on upselling and providing quotes to our customers. He also is going to show them how this extra work would benefit their pay plan to incentivize them.

Qualitative Analysis

Strengths

1. Great Team and atmosphere.
2. Great chemistry between Service and Parts Departments
3. Young talent within the Service Department
4. New Service Manager with fresh ideas and a great leader.
5. Gross profit margins are above NADA guide.
6. Fixed and personal expenses are below NADA guide.

Weaknesses

1. The shop itself is physically older, and not space to expand.
2. Phone skills by our Service BDC and Advisors needs improvement.
3. Downside of young technician team is the lack of experience—sometimes making little mistakes that veteran technicians don't. (I.e., Forgetting to reset oil life monitor in vehicles).
4. Communication between Service Advisors and Technicians.
5. Communication between Service group and Sales.
6. Improvement needed on descriptions on Repair orders.
7. Service advisors have different pay plans from getting hired by different managers.

Opportunities

1. Continuing to invest more training into our Service BDC to generate more appointments for our service shop.
2. Young staff of technicians with a lot of ambition and room for growth.
3. Working toward building better relationships with our customers in service will create more customer loyalty in sales department.
4. 57% of Repair orders are from vehicles from 2017 or older, which means there's more opportunity to upsell on maintenance and repairs.

Threats

1. Surrounded by five GM dealers within 30 mile radius
2. Lack of ambition by advisors to make changes.
3. Uncertainty of future with EV vehicles and their impact on Service
4. Surrounding dealers poaching our technicians
5. Proficiency is low, which means techs aren't staying busy

Qualitative Analysis Continued

Objectives

1. Decrease one-line Repair Orders.
2. Increase Labor Sales.
3. Increase conversion on booking appointments over the phone.
4. Build a better relationship between Sales and Service Departments.

Strategies

1. Track how often each Service Advisor is upselling maintenance
2. Strategize additional Marketing tactics for the Service Department.
3. Listen to BDC past phone calls to develop a coaching plan
4. Get feedback from each Manager on how to improve communication between departments.

Tactics

1. Ensure multi-point inspections are used for every service appointment
2. Advertise specials offers through Google and social media to attract new customers.
3. Start weekly training to work on phone calls to increase booking rate.
4. Create written policies to help better serve the dynamic between Sales and Service.

Tasks

1. Implement coaching how to utilize multi-point inspections and on how to upsell maintenance for every customer

2. Develop a Marketing plan to execute new marketing goals monthly and execute those tactics.
3. Spend more time with BDC to monitor progress
4. Hold weekly meetings with all Managers in dealership to improve communication among departments.

Synopsis

Overall, our gross profit margins look great. Even though our numbers are great we still have a lot of room for improvement.

We need to ensure we are staying competitive within our market to continue to maintain our market share, in addition to attracting more customers. We recently implemented a Service BDC, and it's helped us significantly. By continuing to put in effort with our BDC processes and phone calls we can only get better.

A reoccurring theme throughout this entire homework assignment is that we need to put more time and energy into training our Service Advisors. We have a great team in Service, and I know that if we can give them the tools needed to be successful that they will thrive. We need to capitalize on the space we have available, and if our advisors can sell more, we will be able to improve our technician proficiency and be able to hire more technicians and add to our bottom line.

I've learned a lot in one week. Thank you for the time and energy you put into class! I look forward to continuing to learn more about Service.